

**HOUSING AUTHORITY OF MERRYVILLE LOUISIANA**

**REPORT ON EXAMINATION OF  
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**

**TWELVE MONTHS ENDED DECEMBER 31, 2001**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/5/02

**Mike Estes, P.C.**  
A Professional Accounting Corporation

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**MIKE ESTES, P.C.**  
A PROFESSIONAL ACCOUNTING CORPORATION  
4200 AIRPORT FREEWAY - SUITE 100  
FORT WORTH, TEXAS 76117

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MIKE ESTES, CPA

(817) 831-3553  
METRO (817) 654-4063  
FAX (817) 831-3560  
e-mail: mcestespc@swbell.net

MEMBER  
AMERICAN BOARD CERTIFIED  
PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Commissioners  
Housing Authority of Merryville  
Merryville, Louisiana

Regional Inspector General for Audit  
Office of Inspector General  
Department of Housing and Urban  
Development

We have audited the accompanying general-purpose combined financial statements of the Housing Authority of Merryville, Louisiana at and for the year ended December 31, 2001, as listed in the table of contents. These general-purpose combined financial statements are the responsibility of the Housing Authority of Merryville, Louisiana's management. Our responsibility is to express an opinion on these general-purpose combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose combined financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of Merryville, Louisiana as of December 31, 2001, the results of its operations, changes in its total net assets and statement of cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 15, 2002 on our consideration of Housing Authority of Merryville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part on an audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined general-purpose financial statements of the Housing Authority of Merryville, Louisiana taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis but is not a required part of the accompanying financial statements. Such information has been subjected to the auditing procedures applied in the audit of the accompanying financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying Financial Data Schedules required by HUD are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Mike Estes, P.C.  
Fort Worth, Texas  
May 15, 2002

HOUSING AUTHORITY OF THE CITY OF MERRYVILLE  
COMBINED BALANCE SHEET - ENTERPRISE FUNDS

YEAR ENDED DECEMBER 31, 2001

ASSETS

## Current assets

Cash and cash equivalents	\$ 137,964
Accounts receivable (net of allowance for doubtful accounts of \$729)	533
Prepaid items and other assets	5,539
Inventory	3,133

Total Current Assets	147,169
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## Restricted Assets

Tenant deposits	4,406
Resident participation	1,300

Total Restricted Assets	5,706
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## Fixed Assets

Land, buildings, and equipment (net)	1,525,589
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TOTAL ASSETS	1,678,464
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LIABILITIES AND FUND EQUITY

## Current Liabilities

Accounts payable	6,016
Compensated absences payable	515
Accrued PILOT	1,022

Total Current Liabilities	7,553
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## Current Liabilities Payable from Current Restricted Assets

Deposits due others	4,406
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Total Liabilities	11,959
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## Fund Equity

Contributed capital	1,525,589
Retained earnings:	
Unreserved	140,916

Total Fund Equity	1,666,505
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TOTAL LIABILITIES AND FUND EQUITY	\$ 1,678,464
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The Notes to the Financial Statements are an integral part of these statements.

## EXHIBIT B

HOUSING AUTHORITY OF THE CITY OF MERRYVILLE  
 COMBINED STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN FUND EQUITY - ENTERPRISE FUNDS

YEAR ENDED DECEMBER 31, 2001

<b>OPERATING REVENUES</b>	
Dwelling rental	\$ 53,552
Other	241
	<hr/>
Total revenues	53,793
	<hr/>
<b>OPERATING EXPENSES</b>	
Administration	40,307
Utilities	39,567
Ordinary maintenance & operations	88,603
General expenses	24,848
Depreciation	131,772
	<hr/>
Total operating expenses	325,097
	<hr/>
Income (loss) from Operations	(271,304)
	<hr/>
<b>Non operating revenues (expenses)</b>	
Interest earnings	229
Federal grants	232,377
	<hr/>
Total Non-operating revenues (expenses)	232,606
	<hr/>
<b>NET INCOME (LOSS)</b>	(38,698)
	<hr/>
Depreciation on fixed assets acquired by contribution	131,772
	<hr/>
Increase in retained earnings	93,074
	<hr/>

(CONTINUED)

## EXHIBIT B

HOUSING AUTHORITY OF THE CITY OF MERRYVILLE  
COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - ENTERPRISE FUNDS

YEAR ENDED DECEMBER 31, 2001

RETAINED EARNINGS AT BEGINNING OF YEAR	\$ <u>47,842</u>
RETAINED EARNINGS AT END OF YEAR	<u>140,916</u>
CONTRIBUTED CAPITAL AT BEGINNING OF YEAR	1,657,361
Depreciation transferred from retained earnings	<u>(131,772)</u>
CONTRIBUTED CAPITAL AT END OF YEAR	<u>1,525,589</u>
FUND EQUITY, END OF YEAR	\$ <u>1,666,505</u>

(CONCLUDED)

The Notes to the Financial Statements are an integral part of these statements.



HOUSING AUTHORITY OF THE CITY OF MERRYVILLE  
COMBINED STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

YEAR ENDED DECEMBER 31, 2001

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (271,304)
Adjustments to reconcile net income (loss) to	
Net cash provided by operating activities	
Depreciation	131,772
Changes in operating current assets and liabilities:	
Decrease in accounts receivables	633
Increase in prepaid items and other assets	(1,227)
Increase in inventory	(2,135)
Increase in accounts payables	2,606
Decrease in deposits due others	(411)
Decrease in accrued PILOT	(1,832)
Increase in liability for compensated absences	515
	<u>(141,383)</u>
<b>NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES</b>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Federal grants	<u>232,377</u>
<b>NET CASH PROVIDED(USED) BY NONCAPITAL</b>	
<b>FINANCING ACTIVITIES</b>	
	<u>232,377</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED</b>	
<b>FINANCING ACTIVITIES</b>	
Purchase fixed assets	<u>(2,315)</u>
<b>NET CASH PROVIDED(USED) BY CAPITAL</b>	
<b>AND RELATED FINANCING ACTIVITIES</b>	
	<u>(2,315)</u>

(CONTINUED)



## EXHIBIT C

HOUSING AUTHORITY OF THE CITY OF MERRYVILLE  
COMBINED STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

YEAR ENDED DECEMBER 31, 2001

## CASH FLOWS FROM INVESTING ACTIVITIES:

Increase in restricted assets	(889)
Interest earnings	<u>229</u>

NET CASH PROVIDED (USED) BY INVESTING  
ACTIVITIES(660)NET INCREASE (DECREASE) IN CASH AND  
CASH EQUIVALENTS

88,019

CASH AND CASH EQUIVALENTS AT BEGINNING  
OF YEAR49,945

## CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 137,964

(CONCLUDED)

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE CITY OF MERRYVILLE  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2001

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HOUSING AUTHORITY OF THE CITY OF MERRYVILLE  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2001

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** The accompanying general-purpose financial statements of the Housing Authority of the City of Merryville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**A. BASIS OF PRESENTATION** Housing Authorities are chartered as a public corporation under the laws (LSA-R.S. 40:391) of the state of Louisiana for the purpose of providing safe and sanitary dwelling accommodations. This creation was contingent upon the local governing body of the city declaring a need for the Housing Authority to function in such city. The Housing Authority is governed by a five-member board of Commissioners. The members, appointed by the Honorable Mayor of the city of Merryville, serve staggered multi-year terms.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into an annual contributions contract with the Housing Authority for the purpose of assisting the Housing Authority in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the Housing Authority for the purpose of maintaining this low-rent character.

The Housing Authority had 88 units in Low Rent management in two projects.

Program	Contract Number	Number Of Units
PHA owned housing	FW-1266	88

**B. REPORTING ENTITY** GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Housing Authority is considered a *primary government*, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the Housing Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

The Housing Authority is a related organization of the City of Merryville since the City of Merryville appoints a voting majority of the Housing Authority's governing board. The City of Merryville is not financially accountable for the Housing Authority as it cannot impose its will on the Housing Authority and there is no potential for the Housing Authority to provide financial benefit to, or impose financial burdens on, the City of Merryville. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the City of Merryville.

HOUSING AUTHORITY OF THE CITY OF MERRYVILLE  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2001

Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Housing Authority for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability, which includes:

1. Appointing a voting majority of an organization's governing body, and:
  - a. The ability of the Housing Authority to impose its will on that organization's body, and;
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Housing Authority.
2. Organizations for which the Housing Authority does not appoint a voting majority but are fiscally dependent on the Housing authority.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Housing Authority has determined that there are no component units that should be considered as part of the Housing Authority reporting entity.

**C. FUNDS** The accounts of the Housing Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

All funds of the Housing Authority are classified as proprietary. Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which together with the maintenance of equity, is an important financial indicator.

Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus for all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Housing Authority has elected, pursuant to GASB Statement No. 20, to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1989.

**D. BUDGETS**

**General Budget Policies** The following summarizes the budget activities of the Housing Authority during the year ended December 31, 2001:



HOUSING AUTHORITY OF THE CITY OF MERRYVILLE  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2001

The Housing Authority adopted budgets for all HUD-funded programs. The budget is controlled by fund at the function level. All appropriations lapse at year end. Budgets are prepared on the modified accrual basis of accounting.

The Executive Director is authorized to transfer amounts between line items within any fund, with the exception of salaries, provided such does not change the total of any function.

**E. CASH AND CASH EQUIVALENTS** Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Housing Authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the Housing Authority may invest in United States bonds, treasure notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are state at the lower of market or cost.

**F. INVESTMENTS** Investments are limited by R.S. 33:2955 and the Housing Authority's investment policy. If the original maturities of investments exceed 90 days they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The investments are reflected at quoted market prices except for the following which are required/permitted as per GASB Statement No. 31:

Investments in *nonparticipating* interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider markets rates, are reported using a cost-based measure.

The Housing Authority reported at amortized cost money market investments *participating* interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

Definitions:

Interest-earning investment contract include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

HOUSING AUTHORITY OF THE CITY OF MERRYVILLE  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2001

**G. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES** During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

**H. INVENTORY AND PREPAID ITEMS** All inventory items are valued at cost using first-in, first-out method. Inventory is recorded using the purchase method. At year-end the amount of inventory is recorded for external financial reporting.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid expenses consist of prepaid insurance.

**I. FIXED ASSETS** Fixed assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Interest costs during construction have not been capitalized. Straight-line depreciation is used based on the following estimated useful lives:

Site improvements	15 years
Buildings	33 years
Building improvements	15 years
Furniture and fixtures	5 to 7 years
Computers	3 years

**J. COMPENSATED ABSENCES** The Housing Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Employees may accumulate up to three hundred hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

**K. FUND EQUITY** Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use.

**L. DEFERRED REVENUES** The Housing Authority reports deferred revenues on its combined balance sheet. Deferred revenues arise when resources are received by the Housing Authority before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the Housing Authority has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

HOUSING AUTHORITY OF THE CITY OF MERRYVILLE  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2001

**M. USE OF ESTIMATES** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS** At December 31, 2001 the Housing Authority has Cash equivalents, and investments totaling \$143,670 as follows:

Cash on hand	\$	125
Demand deposits		132,879
Time deposits		10,666
Total	\$	<u>143,670</u>
Cash and cash equivalents	\$	137,964
Cash and cash equivalents -- restricted		5,706
Total	\$	<u>143,670</u>

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2001, the Housing Authority's carrying amount of deposits was \$143,670 and the bank balance was \$146,658. Of the bank balance, \$100,000 was covered by federal depository insurance (GASB Category 1). The remaining \$46,658 was not collateralized. See Audit Finding #2.

Investments during the year were solely in time deposits at banks.

**NOTE 3 - RECEIVABLES** the receivables of \$533 at December 31, 2001, are as follows:

<u>Class of Receivables</u>		
Federal sources:		
Grants	\$	<u>533</u>
Total	\$	<u>533</u>



HOUSING AUTHORITY OF THE CITY OF MERRYVILLE  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2001

**NOTE 4 – FIXED ASSETS** The changes in general fixed assets are as follows:

	Balance 12/31/00	Additions	Deletions	Balance 12/31/01
Land and buildings	\$ 3,302,894	\$ 23,933	\$ 0	\$ 3,326,827
Furniture and equipment	156,689	2,285	9,588	149,386
Construction in progress	23,933	0	23,933	0
Total	3,483,516	26,218	33,521	3,476,213
Less: accumulated depreciation				
Buildings	1,729,109	108,106	0	1,837,215
Furniture and equipment	99,331	23,666	9,588	113,409
Total	1,828,440	131,772	9,588	1,950,624
Fixed assets, net	\$ 1,655,076	\$ (105,554)	\$ 23,933	\$ 1,525,589

**NOTE 5 – RETIREMENT SYSTEM** The Housing Authority does not have a retirement plan.

**NOTE 6 – ACCOUNTS PAYABLES** The payables of \$6,016 at December 31, 2001, are as follows:

Trade payables	\$ 4,356
Payroll withholdings	1,660
	<u>\$ 6,016</u>

**NOTE 7 - COMPENSATED ABSENCES** At December 31, 2001, employees of the Housing Authority have accumulated and vested \$515 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. These amounts are recorded as liabilities in the funds from which payment will be made.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES** The Housing Authority participates in a number of federally assisted grant programs. Although the grant programs have been audited in accordance with the Single Audit Act Amendments of 1996. These programs are still subject to compliance audits. Housing Authority management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

## SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF MERRYVILLE  
STATEMENT OF MODERNIZATION COSTS -- UNCOMPLETED

YEAR ENDED DECEMBER 31, 2001

CASH BASIS

	<u>Project 1999</u>	<u>2000 Capital Funding</u>	<u>2001 Capital Funding</u>
Funds approved	\$ 166,152	\$ 190,449	\$ 194,301
Funds expended	<u>92,126</u>	<u>19,044</u>	<u>19,430</u>
Excess of funds approved	<u>\$ 74,026</u>	<u>\$ 171,405</u>	<u>\$ 174,871</u>
Funds advanced	\$ 92,126	\$ 19,044	\$ 19,430
Funds expended	<u>92,126</u>	<u>19,044</u>	<u>19,430</u>
Excess of funds advanced	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The Notes to the Financial Statements are an integral part of these statements.

MIKE ESTES, P.C.  
A PROFESSIONAL ACCOUNTING CORPORATION  
4200 AIRPORT FREEWAY - SUITE 100  
FORT WORTH, TEXAS 76117

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MIKE ESTES, CPA

(817) 831-3553  
METRO (817) 654-4063  
FAX (817) 831-3560  
e-mail: mestespc@swbell.net

MEMBER  
AMERICAN BOARD CERTIFIED  
PUBLIC ACCOUNTANTS

Report on Compliance and on Internal Control Over Financial Reporting  
Based on an Audit of Financial Statements Performed in  
Accordance with Governmental Auditing Standards

Housing Authority of Merryville  
Merryville, Louisiana

We have audited the financial statements of the Housing Authority of Merryville, Louisiana as of and for the year ended December 31, 2001, and have issued our report thereon dated May 15, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Housing Authority of Merryville, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing a opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed seven instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of Merryville, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the PIIAs ability to record, process, summarize, and report financial data consistent with the assertions of management in the

financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Audit Findings #1 through #7.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted one matter involving the internal control over financial reporting and its operation that we consider to be a material weakness. It is the first audit finding.

This report is a matter of public record and its distribution is not limited.

Mike Estes, P. C.  
Fort Worth, Texas  
May 15, 2002

HOUSING AUTHORITY OF THE CITY OF MERRYVILLE  
STATEMENT OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2001

FEDERAL GRANTOR PROGRAM TITLE	CDFA NO.	GRANT ID #	PROGRAM EXPENDITURES
U. S. Department of Housing and Urban Development Direct Programs:			
Low-Income Housing Operating Subsidy	14.850		193,903
Program Total			193,903
Public Housing Capital Fund	14.872		38,474
Program Total			38,474
Total HUD			232,377

Total Expenditures of Federal Awards



**HOUSING AUTHORITY OF THE CITY OF MERRYVILLE**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED DECEMBER 31, 2001**

**NOTE 1 – GENERAL** The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority of the City of Merryville, Louisiana (the "Housing Authority"). The Housing Authority reporting entity is defined in note 1(A) to the Housing Authority's general-purpose financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

**NOTE 2 – BASIS OF ACCOUNTING** The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1(C) to the Housing Authority's general-purpose financial statements.

**NOTE 3 – RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS** Federal awards revenues are reported in the Housing Authority's general-purpose financial statements as follows:

	<u>Federal Sources</u>
Enterprise funds:	
Public Housing	\$ 193,903
Capital Fund	38,474
Total	\$ <u>232,377</u>

**NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS** Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles.

**NOTE 5 – FEDERAL AWARDS PROGRAMS** For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures. In accordance with HUD Notice PIH 98-14, "federal awards" do not include Housing Authority operating income from rents or investments (or other non-federal sources). In addition, debt service annual contribution payments made by HUD directly to fiscal agents for holders of Housing Authority bonds or for Housing Authority notes held by the federal financing bank (FFB), are not considered when determining if the Single Audit Act "federal awards expended" threshold is met by the Housing Authority in a fiscal year. In addition, the entire amount of operating subsidy received during the fiscal year is considered to be "expended" during the fiscal year.

The Notes to the Financial Statements are an integral part of these statements.



HOUSING AUTHORITY OF THE CITY OF MERRYVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2001

**Financial Statement Audit**

- i. The type of audit report issued was unqualified.
- ii. There were seven reportable conditions required to be disclosed by *Government Auditing Standards* issued by the Comptroller General of the United States.
- iii. There was one instance of noncompliance considered material, as defined by *the Government Auditing Standards* to the financial statements.

HOUSING AUTHORITY OF THE CITY OF MERRYVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2001

Prior Audit Findings and Questioned Costs

There were no prior audit findings.

Current Audit Findings

Entity-wide or program/department specific

Low Rent

1) Year-End PFS Mandatory Adjustment Miscalculated

Statement of Condition

The PHA's fee accountant did not use the recently revised HUD-52723 to calculate the year-end mandatory adjustment for the performance operating subsidy.

Criteria

The fee accountant used the incorrect form.

Effect

The original adjustment prepared by the fee accountant reflects a \$73,857 due to HUD. Our calculation, using the correct form, shows \$30,030 due from HUD – a difference of \$103,887.

Cause

It appears the fee accountant, at least at the time this calculation was done, did not have adequately trained personnel. In addition, if a proper supervisory review had been made, the error would have been noticed.

Recommendation

From inquiries we have made, we are aware that the fee accountant has recently become aware that this mandatory adjustment was incorrect. The fee accountant has recently made sure the responsible personnel have become familiar with the new PFS forms and calculations. The fee accountant has recently revised the year-end adjustment and sent it to the PHA. We agree with the revised - \$30,030 due from HUD. The PHA has reviewed the revised copy, signed, and mailed it to HUD

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2001

Our recommendation is that in the future, the PHA should more closely review the PFS forms after they are received from the fee accountant and before they are sent to HUD. The PHA should also obtain assurance from the CEO of the fee accountant that these PFS calculations will undergo an in-house supervisory review in the future.

Corrective Action Plan – Response

I am Melissa Slaydon, Executive Director and designated person to answer these findings. I will comply with the above.

Low Rent

2) Bank Securities Not Pledged

Statement of Condition

At December 31, 2001, the PHA had \$146,658 on deposit with one financial institution. Bank securities were not pledged on the deposits.

Criteria

Federal regulations and the Louisiana Rev. Stat. § 39:1221 requires that whenever more than \$100,000 is on deposit with one financial institution, the PHA should have bank collateral pledged on the excess (FDIC insurance covers the first \$100,000).

Effect

Possible financial loss by the PHA if the bank fails.

Cause

This was an oversight by the PHA. It appears the PHA has never had deposits in prior years in excess of \$100,000.

Recommendation

The PHA should require the bank to pledge collateral as soon as possible. Thereafter, the PHA should monitor the pledge in force.

Corrective Action Plan - Response

I will comply with the above.

HOUSING AUTHORITY OF THE CITY OF MERRYVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2001

2001 Capital Funding

3) Roof Work Not Properly Bid

Statement of Condition

In November 2001, the PHA took bids for all roofs in both projects and the office building. Bids were only taken on the telephone. Bids were for 20 year and 25 year shingles. The award was for 25 year olds for a total price of \$120,325.00.

Criteria

The PHA must comply with its procurement policy, federal law, and state public bid law, LSA-RS Title 38:2212. The PHA did not do the required newspaper notice of advertising, receive sealed bids, or hold a pre-construction conference. Also, for construction bids greater than \$50,000, an architect should be engaged. One was not.

Effect

The shingles were provided for in an approved budget. But, the PHA's procurement policy, federal and state bid law was not complied with.

Cause

The Executive Director was not aware of the bid requirement. From conversation with another E.D., the Merryville E.D. determined she had erred. She notified HUD. A Corp. of Engineers review determined the shingles were of good quality and a reasonable price was paid.

Recommendation

The E.D. should attend a procurement seminar and follow the PHA's procurement policy.

Correction Action Plan-Response

We will follow the PHA's procurement policy in the future. I will also attend a Mastering Procurement and Contract Management course provided by NAIIRO on July 29-31.

HOUSING AUTHORITY OF THE CITY OF MERRYVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2001

Low Rent

4) Incomplete Inventory of Ranges and Refrigerators

Statement of Condition

The PHA does not have a complete inventory of ranges and refrigerators, with serial numbers, by unit and in stock. The depreciation schedule does not appear to have the proper number of ranges and refrigerators.

Criteria

Federal regulations and state asset management law, LSA-RS 24:515 requires an accounting of fixed assets.

Effect

The effect of a misstatement of net book value of fixed assets appears to be negligible.

Cause

Many ranges and refrigerators have been replaced by recent grant programs. There has also been a turnover of maintenance staff. The E.D. did not give this item a high priority.

Recommendation

The PHA should inventory ranges and refrigerators as soon as possible. The depreciation schedule should be revised.

Corrective Action Plan – Response

We will complete an inventory by July 31. We will determine the cost for each item by August 31. We will have our depreciation schedule reconciled and adjusted by year-end, December 31.

We had our maintenance personnel turnover in 2001, and one was out with a back injury.

HOUSING AUTHORITY OF THE CITY OF MERRYVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2001

Low Rent

5) Tenant Files Have Shortcomings

Statement of Condition

Of the eight tenant files we reviewed, 3 were past due for annual recertification. 3 did not have income verifications.

Criteria

Federal law requires re-examination of income, dependents and other factors on the tenants' annual anniversary date. Tenants' income is also to be verified, and documentation kept in the file.

Effect

While past due, none of the recertifications were more than a few months past due. The incomes looked reasonable, and compared to past years' income by amount and type, that had been verified.

Still, federal law and the PHA's own Occupancy Policy was not complied with.

Recommendation

The PHA should recertify all past due tenants and verify the income as soon as possible.

Corrective Action Plan – Response

We will correct in the next few weeks. Part of our problem has been trying to convert to PIC.

Low Rent

6) Tenant Rental Receipts Not Deposited Timely or Kept in a Secure Place

Statement of Condition

Tenant rental receipts are only deposited on Fridays. Rental receipts kept overnight are in a locked cabinet, but it is not fire proof. The PHA accepts cash, check, and money orders.



HOUSING AUTHORITY OF THE CITY OF MERRYVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2001

Criteria

Federal authorities strongly recommend frequent deposits, and if kept overnight, a fire proof safe or locked cabinet should be used. State cash management law LSA-RS 39:1212 appears to require daily deposits.

Effect

A loss of rent receipts is possible. If vandalism occurs, something else will be stolen or damaged in the process.

Cause

The PHA had overlooked this lately.

Recommendation

The PHA should deposit receipts daily. An acceptable but less preferable alternative is to drop off receipts at the bank in the bank's night drop with a "Hold for Morning Pickup", for late-in-day receipts collected.

Any late-in-day receipts not deposited should be kept overnight in a fire proof safe or fire proof, locked cabinet.

Corrective Action Plan-Response

We will immediately comply with the above.

Low Rent

7) Earned Income Disallowance (also called Disregard) (EID) Not Being Checked on Tenants

Statement of Condition

Tenants are not currently being reviewed for qualifications for the EID.

Criteria

The EID is part of the Quality Housing Work Responsibility Act (QIWRRA). Federal regulations are detailed at 24 CFR Part 960.255.



HOUSING AUTHORITY OF THE CITY OF MERRYVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2001

Family members in PHAs that have experienced an increase in employment earnings, may, if certain conditions are met, qualify for less than an income-based rent.

Effect

Some tenants may be paying more rent than they should. If so, PHA refunds will be due them.

Cause

The PHA was unaware of the requirement.

Recommendation

The requirements and computations are complicated. PHA personnel, preferably both the E.D. and the clerk, should attend a workshop on this subject as soon as possible.

Within 30 days of attendance at the seminar, all current tenants should be reviewed, and refunds made, if necessary.

Within 90 days' attendance at a seminar, all tenants on the Low Rent program since January 1, 2001 (the beginning period of this audit) until the present should be reviewed, and refunds made, if necessary.

Corrective Action Plan – Response

We will comply with the above.

HOUSING AUTHORITY OF MERRYVILLE  
SCHEDULE OF AUDIT JOURNAL ENTRIES

YEAR ENDED DECEMBER 31, 2001

		ACCT. # FOR AUDIT PURPOSES	DR	CR	ACCT. # FOR POSTING TO PHA BOOKS
1	Cash – other restricted	113	1,800		
	Cash – unrestricted	111		1,800	

To reclass unused Resident Participation funds earmarked in budget

The Notes to the Financial Statements are an integral part of these statements.